LEGISLATIVE BUSINESS.

THE TRAVANCORE CREDIT BANK BILL. (*contd.*)

MR. N. NARAYANA KURUP (*Ambalapuzha* cum *Shertala*): Sir, I was submitting yesterday about the Co-operative Societies and how and why they should be financed immediately.

The Central Co-operative Bank is not in a position to finance the Co-operative institution. Therefore, there is no other way to finance them except through the Credit Bank, which is intended to help the agriculturists. The Co-operative Societies which are the best agency according to the expert opinions, such as, Taylor's, Banking Enquiry Committee's, Devadar Committee's, must be financed, and a provision ought to be made in the Bill.

Bad and hopeless Societies must be ended by liquidation. If this system of management is to continue without a strong and trained hand to manage it, there will a time come when we can have no society at all properly working.

If money is dispersed through Co-operative Societies, it will reach even the smallest cultivators in proper time and they will see that it is utilised for that purpose alone. Further they will be more acquainted with the debtor and properties, and the security will be safer.

Again, Sir, I would suggest that only a percentage of shares and debentures be raised from outsiders-non-Travancoreans by which the apprehension of Mr. Narayana Perumal Nadar could also be avoided.

With the hope that the Committee will make necessary amendments to the benefit of the agriculturist and the industrialists, I support the principle of the Bill wholeheartedly.

MR. J. E. A. PEREIRA (*Commerce and Industry, South*): I support the Bill. Since the Land Mortgage Bank established some time back owing to its restrictive scope, did not cope with the situation in giving relief to agricultural debtors, the need for a bigger institution has been felt. As a result of the enquiries by various Committees such as the Agricultural Debt Redemption Committee, The Economic Depression Committee, it has been ascertained that the total volume of rural debt is about 25 crores. How best the situation could be tackled was the chief problem before Government in recent years. The two main requisites needed as a relief measure, were a separate organisation first with adequate funds and secondly an institution to give long term credit. This piece of legislation has been much looked for and eagerly awaited and I am glad to find that the present Bill embodies the two main requisites and as such, I welcome this Bill most heartily.

Your explanatory speech implementing the introductory speech of the Law Member has clarified matters very much and cleared misconceptions specially the position of the Imperial Bank *pari pasu* with this Institution. The Imperial Bank merely lend the services of one of their officers. I do think that the services of an experienced staff from the Imperial Bank in an official capacity such as Secretary etc., will stand in good stead for the administration of the Credit Bank.

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[Mr. J. E. A. Pereira.]

I think the Bill is happily conceived in that the administrative machinery is proposed to be constituted with the co-operation of Government. If it had been a cent per cent Government organisation, it would not have augured well from a business point of view and if, on the other hand, it had been entirely entrusted to non-official agencies, knowing as I do the cross currents and under-currents of local politics the successful administration would have been at best doubtful and what is more important is that the Credit Bank would not have the benefits of the provisions of the present Bill for the recovery of dues under Revenue Recovery Regulations. To me, it strikes that this is one of the bright aspects of the Bill and one that will go a long way towards its successful administration. The co-ordination of official and non-official element in administrative machinery and the rigid supervision imposed are happy augeries.

As has been rightly pointed out by you, Sir, the object of the administration should not be the desire to make huge profits. It should never be aimed to give a return of more than 3½ to 4 per cent. the most. If only this object is strictly kept in view, the debtors standing in need of help, will have real relief.

The main object of the Credit Bank is the granting of long-term loans with a view to benefit agriculture and industry in Travancore which will ultimately raise the economic condition, the productive strength and the standard of the living of the masses.

The credit Bank is proposed to be a share-holders' Bank, the liability of the share-holders is limited with a subscribed Share-Capital and the Debentures issued by the Bank hold the guarantee of the Government and these are very wholesome features.

The provisions enabling the Bank to make loan and advances on the security of movable goods, stock-in-trade etc., cannot find my support as it would tend the Banks' resources less liquid and might involve in it, the undesirable competition with commercial banks which, it is specifically intended to avoid. I also do not approve of the provision which enable the Bank to take on lease any agricultural or other lands.

On the whole the Bill is so framed that the successful working could be reasonably expected and I do hope the House will agree with the general principles of the Bill.

MR. K. T. THOMAS (*Tiruvalla*): Rising to discuss the principle of the Bill, I may assure you that I am conscious of my duty to do so in the light of the speech made by the Dewan-President in expounding the intentions that prompted the promulgation of the proposed legislation. But, before doing so, I have one request to make. Without meaning any disparagement to any person, I request that the official member in charge of bills may be directed so to put his case regarding proposed piece of legislation, so to argue out the position of the Government, so to clarify the points that require clarification, as to render unnecessary—at least, to render it necessary only on very sparing occasions—any statement from the Chair; for, invariably, when such speeches are delivered, considerable delicacy.....

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PRESIDENT: Order, order. When the Dewan-President exercises his right to speak on any matter on which it is known that there are differences of opinion, the Dewan-President cannot and does not expect that any remarks that he makes will be exempt from the fiercest possible criticism that may be levelled against them. Any delicacy in that matter need not be felt or exercised. It is only when, as the Chairman or the President of the House, he makes any statement by way of a ruling, that such statement is exempt from criticism in the House. Any ruling on a point of order, any action that the Chair takes *qua* Chair, is certainly beyond criticism in this House. But, if, in addition to that, the Head of the Administration, under the powers specially vested in him by the Rules, both of the Assembly and of the Council, makes any observation, he does so as the Head of the Government, and he is entitled to do so as the Head of the Government. And, the Head of the Government, under no system of legislative procedure, is exempt from the fiercest possible criticism. (*Hear, hear.*) Therefore, if any speech is made by the Dewan-President in his capacity as Head of the Government, honourable members are in duty bound to see that manner of delicacy hinders them in the fullest exercise of their rights and privileges as members of the House.

There are many matters which the Law Member cannot possibly deal with, for instance, matters of high policy on which the responsibility may have undividedly be taken by the Head of the Administration. It is in such cases that the Head of the Administration intervenes; and so doing, he functions, not as President of the House, but as the Head of the Administration. Unfortunately, this is a dual function, a kind of dyarchy.

All dyarchies are anomalous and difficult if not impossible of working. I have myself been a member of a dyarchy for five years and an adviser of dyarchy for two years and I am fully aware of the troubles attendant of dyarchy.

MR. K. T. THOMAS: When I made the observation, it was only meant that I was conscious of the fact that such speeches create a delicacy. I put it as delicacy knowing full well that it is not a question of impeaching the right of the Chair to address the House when it deems fit, and that such speeches were different from the rulings of the Chair. But I take it that such speeches delivered by the President in the capacity of the Head of the Administration give only added justification for my apprehension regarding delicacy. Perhaps, that feeling of delicacy is purely subjective and personal. All the same, I appeal to you Sir, as the guardian of the privileges of this House, that the right of the Head of the Administration to address the House may be very sparingly exercised.

PRESIDENT: Order, order. I do not wish to give any undertaking in that behalf; but I may say that where, as in the present case, Government feel strongly that a particular measure is absolutely essential, the Head of the Administration is entitled to put forward all the weight of his authority as Head of the Administration, and commend the measure to the House.

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MR. K. T. THOMAS: When I made the appeal to the Dewan-President, I did not mean to extort any undertaking from him.

Sir, even at the start I may say that I am in complete agreement with the suggestion that immediate measures are called for for the relief of rural indebtedness in the State. Urgent is the necessity to provide an institution which can command the funds necessary for the relief of the agriculturist in the State. It is imperative that funds should be found for implementing the work of the Conciliation Boards. It is highly desirable that funds should be provided for the promotion of industries in the State. From 1928, in which year the Unemployment Enquiry Committee submitted their report, this necessity has been repeatedly pointed out. The Banking Enquiry Committee which conducted its investigation in 1930, and the Agricultural Debt Redemption Committee have been very insistent on providing some machinery whereby cheap funds may be made available for the rehabilitation of agriculture and for the promotion of industries in the State. The consciousness of the urgent need, I presume, found expression in a Press Communique issued by the Government in November last to which reference has already been made by the Dewan-President. The Travancore agriculturist is weighed down by debt.

The fall in prices of agricultural commodities and the decline in the value of land, particularly in the last decade, has augmented the distress. On account of the low value of the land and the decline in the prices of agricultural commodities the credit of the agriculturist has sunk very low. He has no margin of profit left wherewith he might discharge the debt or even pay the interest on the debt that has accumulated on the land. Even in normal times the cultivation of paddy leaves very little margin of profit to the agriculturist. We have been told that it is expected that the rate of interest to be charged by the proposed bank may not be more than 4½ or 5 per cent. I believe this House is fully aware of the fact that investment on immovable properties in this State has never been known to yield a return of anything more than 4 to 6 per cent. If that be so the statement made that the interest chargeable on loans to be issued by this bank may not be higher than 4½ or 5 per cent. does not take the agriculturist very far. I am adverting to this circumstance owing to the fact that the Bill before the House or the statute proposed to be passed does not make a provision for stipulating what the interest shall be that is chargeable on the loans advanced by the Bank and if for any reason it is necessary to raise it to a figure higher than 4 per cent. I have very little hope that the rural indebtedness can possibly be combated without leading to the necessary result of expropriation of the agriculturist. And that, for this reason. We find in the Bill, it is proposed to confer on the institution proposed to be called into existence, the power of realising arrears of amounts due to the Bank by way of revenue recovery processes. Section 25 is an enabling provision and it makes it competent for the bank to purchase the properties sold in auction. Therefore, if the rate of interest represents anything more than or even exactly what forms the margin of profit for the agriculturist, certainly this process of expropriation of the

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agriculturist is bound to go on and it will not in any way be possible to argue that this process of expropriation was a method of relief of rural indebtedness.

There is another circumstance to which I may draw the attention of this House. I do concede that it is necessary for providing funds for the liquidation of debts as conciliated by the board. But even such payment will not re-habilitate agriculture in the State, for, after all, those loans can be utilised only for the discharge of existing debts. The Travancore Agriculturist does certainly require facilities for short-term loans to be utilised for productive agricultural enterprise. Without providing for such facilities, if his debt is merely liquidated, it does not re-habilitate the agriculturist. Therefore side by side with the liquidation of the debts now existing on the property, certain definite proposals have got to be put forward by which facilities will be offered to the agriculturist to obtain short term loans for productive enterprise on lands.

One other matter. The statute does not fix the period of the loans that may be issued, by the bank sought to be called into existence. This is a matter which will have to be decided later on, we are told. But even there, particular care has got to be taken not so much for the liquidation of the entire debt as to provide facilities for the re-payment, and easy repayment I would put it, of the loans advanced and therefore I would suggest that it should be statutorily provided that the repayment of loans should be spread over a period of at least 30 years. While on this question I may with advantage refer to the report of the Agricultural Debt Redemption Committee who proposed that the repayment of loans should be spread over a period of at least 30 years. This, according to me, ought to have been provided in the Bill and ought not to have been left over to be decided at a later stage by the Board and to be enforced with the sanction of Government.

Chapter V of the Bill which deals with debentures provides among other things, that to the board may be reserved the right to call in at any time any of the debentures issued by the Bank, in advance of the date fixed for redemption, after giving the debenture-holder concerned not less than three months's notice in writing. Whatever arguments might be said in favour of this, it has got to be pointed out that this provision enabling the board to recall or redeem debentures issued, irrespective of the time fixed, would necessarily react on the rate of interest that will have to be provided for. Because when a person puts his money in debentures he does so after withdrawing his money from other investments and he considers it as a kind of permanent investment. If, at the time he makes the investment on debentures, he is also told that there is a contingency of the debenture being redeemed at three months' notice, it has got its own reactions on the investor. Not only so. It has got its reactions on the rate of interest that will have to be offered on the debentures. So that in respect of that matter as the Bill now stands, it is not possible for me to support the Bill so

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[Mr. K. T. Thomas.]

far as that provision is concerned. I would draw the attention of this House to the necessity of dealing with that provision without giving any margin of possibility for the board to recall debentures once issued before the time fixed for redemption.

I may also draw the attention of the House to another aspect of the question. Regarding the interest that the Government may have in the share-capital of the proposed concern, although there is no provision in the bill which makes it obligatory on the Government to subscribe for any share, the Dewan-President told us that there was a possibility of about 50 per cent of the shares proposed to be immediately issued being taken by the Government. This constitutes only 25 per cent of the authorised capital. While on this, I have got a very serious objection to raise, and that is, when particularly the credit of the State has got to be pledged for guaranteeing the principal and interest due on the debentures issued and it has also to be provided that for the redemption of the debentures a period of at least 30 years may be fixed—it will be in fact amounting to pledging the credit of the State for a period of 30 years—and there is a provision which confers on this institution the employment of revenue recovery processes to which I have already made reference—which would lead to the ownership and immediate possession of a portion at least of the landed property in Travancore ; in view of the importance of this aspect, it is up to me to suggest that statutory provision has got to be made that not only at the present moment but at all times it will be seen that 50 per cent at least of the shares of this bank will be controlled by Government. Here again I may call into aid the opinion of the Agricultural Debt Redemption Committee which suggested the promotion of a share-holders bank for this purpose. I am also conscious of the fact that the Honourable the Law Member, while introducing the Bill, did make reference to that Committee's report, but it would appear that the recommendations of that Committee have not been properly adverted to and their proposals have not been duly appreciated. Merely for the defence of one small matter regarding this institution they have been called into aid by Government. I am making this observation fully conscious of the fact that the proposals made by the Agricultural Debt Redemption Committee whose report was unanimously accepted by this House was pressed into service by the Honourable the Law Member. Their recommendation in respect of a share-holders bank of the kind, it may be seen, was only contemplated as a development of the future. Their recommendation definitely was the re-organisation or re-constitution on a statutory basis of existing State Land Mortgage Bank. So that, on the question of the interest that Government may have in the share capital of the bank, I think, it will be the duty of this House to definitely provide, and to reject the Bill if no provision to that effect is made, that at all times—because we find that it will be open later on for the Board in conjunction with the Government to issue the shares remaining up to the limit

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of the authorised capital and also to increase the share capital of the bank if so deemed necessary—steps will be taken to safeguard and see that the Government controls at least 50 per cent of the share-capital of the Bank.

I may also refer to the fact that the Agricultural Debt Redemption Committee which spent a good deal of time over the task assigned to them submitted their report in 1935 so that not more than a year has elapsed and we have not been told what exactly are the difficulties that have got to be confronted in accepting their proposals regarding the State Land Mortgage Bank. Besides the Revenue Department issuing loans for land improvement and agricultural purposes and the Industrial Department issuing loans for the promotion of industry we have a State Land Mortgage Bank. The Land Mortgage Bank is now purely a Governmental concern and it is possible to so reconstitute the bank that there will not be the necessity for this Bill to be passed into law.

PRESIDENT : Order, order. Is there any institution at present in the State which can be legally termed the Land Mortgage Bank, Law Member ?

MR. KAYALAM PARAMESWARAN PILLAI (*Law Member*) : No Sir. It is only a Government Department which lends money. By name it is called the Land Mortgage Bank, but in fact it is a Department of Government.

MR. K. T. THOMAS : The information available to me as a member of this House, on the testimony of the Law Member is that it is called the State Land Mortgage Bank and I refer to the fact that it is an institution, whether it is a Government Department or a Government concern, or a Government Bank of which added use may be made by extension of the scope of usefulness of that Bank and by making available for distribution through that institution the funds necessary to alleviate the rural indebtedness.

PRESIDENT : Order, order. Does the member mean that through the Land Revenue Commissioner and the Land Revenue Department the whole of the agricultural indebtedness may be dealt with ?

MR. K. T. THOMAS : I did not catch you, Sir.

PRESIDENT : It has been explained by the Law Member that though an institution called the Land Mortgage Bank is supposed to exist there is no such bank in the State. It is the Land Revenue Department and one branch of it called by executive rule the Land Mortgage Bank which have no statutory authority. It functions under certain rules which Government are entitled to make in respect of any of its departments. As a Government Department it has got certain rules. Does the honourable member mean that the agricultural indebtedness should be dealt with in future by the Land Revenue Department and the Land Revenue Commissioner acting as the Head of that Department ?

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MR. K. T. THOMAS: It is my suggestion that the reconstitution of what I understand and of what responsible committees before me have understood as a State Land Mortgage Bank has got to be attended to. If the rural indebtedness could be relieved by the Revenue Department, I am prepared to accept that suggestion. If that is the real sense of the of the proposal accepted by this House when they accepted without a dissent the report of the Agricultural Debt Redemption Committee, well I maintain that position. That is the utmost I can say in respect of that, whether it be a departmental concern or whether it be a banking concern.

MR. M. SIVATHANU PILLAI (*Tovala* cum *Agastisvaram*): May I know what the member means when he says that the House accepted the report of the Agricultural Debt Redemption Committee?

MR. K. T. THOMAS: The report was placed before this House and was considered and accepted by this House.

MR. M. SIVATHANU PILLAI: Was any resolution formally moved and voted upon in respect of that report?

MR. K. T. THOMAS: I think that it is in the province of some other member as for example the Law Member who served on that committee to answer that question. Sir, my position is that the recommendations of that Committee contained as they are at pages 119 and 120 of their report should be accepted and acted on *in toto* in preference to the floatation of a bank as is contemplated by the legislation before the House. I have certain reasons to offer for that position. The question of re-constituting this Department, if I may say so, called the State Land Mortgage Bank, was in detail considered by a very responsible committee and the problem of indebtedness and the possibility of meeting that indebtedness through this agency under reorganised conditions was the subject of deliberate investigation and report by that Committee and that Committee's report has been submitted, I find, in 1935. Very little has happened subsequent to that date which necessitates throwing away all their recommendations and accepting in its stead the Credit Bank Bill.

Not only this. While on this point, I may perhaps draw the attention of the house to the communication by Government on 19th November 1937 to which reference has been made already.

MR. K. GEORGE (*Land Revenue and Income Tax Commissioner*): May I know from the member whether in reading through the report the impression is not clear that the reconstitution of the Bank was recommended on those lines as a preliminary step to a later development into a share-holders' bank?

MR. K. T. THOMAS: Had the honourable member been listening to me he would have known that I myself made reference to the fact that that Committee had recommended the conversion of the existing State Land Mortgage Bank into a shareholders' bank as a development of time so that when the statement was made by me I was conscious of that recommendation and I drew the attention of the House to that fact.

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MR. KAYALAM PARAMESVARAN PILLAI: After how many years or centuries was it recommended that the bank should be converted into a share-holders bank?

MR. K. T. THOMAS; Their report does not give the time. But having served on that Committee the honourable the Law Member ought to know what was in his contemplation then as in the contemplation of his colleagues. Sir, my position is very clear and definite.

MR. M. SIVATHANU PILLAI: May I know from the honourable member the reasons for his holding the view that this is not the particular time for the State to institute a bank?

PRESIDENT: I think the honourable member need not put it as a question. He may put it as an argument when he speaks. It is obvious that both the honourable members differ.

MR. K. T. THOMAS: Sir, a reference to pages 119 and 120 of the report of the Agricultural Debt Redemption Committee will show that they are distinctly for the reconstitution on a statutory basis and for the reorganisation and expansion of the State Land Mortgage Bank as a necessary preliminary to its conversion as a share-holders' concern. The dangers involved in converting it into a share-holders' concern without any restrictions imposed by Government in view of the extraordinary powers available to them under the Revenue Recovery Regulation, are facts which have got to be faced. The question is whether the time has come for us to do away with the preliminary stage of the expanded working of the Land Mortgage Bank. According to me the time has not yet come, because nothing substantial has been done to solve the problem of rural indebtedness as suggested by the committee. Before such steps are tried it is not time to proceed to the last stage *viz.*, the conversion of the Land Mortgage Bank into a share-holders concern. My position therefore is that we are hurrying on without due care being taken to see how far the existing institutions can be pressed into service most effectively for facing the problem which the country does require to be faced. I do not pretend to have adverted to all the points envisaged in the Bill. I have made detailed reference to the Debt Redemption Committee and I have said that some time must be allowed to lapse before this legislation is taken up by the House. Reference has already been made on the floor of the House to the fact that in the Communique dated the 19th November 1937 Government have stated that the present Land Mortgage Bank requires reorganisation and expansion and that therefore a State Land Mortgage and Industrial Bank will be inaugurated and not a credit bank as is now proposed. Members have notice of this only a week ago and this Bill has been published in two languages only last week and no time has been allowed for the crystalisation of public opinion thereon. There are grounds for urging the necessity for taking immediate steps to implement the proposals of the Debt Redemption Committee so as not to allow the facing of the problem of rural indebtedness any more delay. That problem might be tackled at present. If later on it is found necessary to establish another bank to tackle the needs of

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agriculture and industries in a larger measure, then it will be time enough for us to consider this Bill. I therefore think that the proposed legislation may be postponed. With these observations to be in form I oppose the principle of the Bill.

PRESIDENT: Does the honourable member wish to add that the consideration of the Bill be adjourned *sine die* or does he merely oppose the Bill?

MR. K. T. THOMAS: I thought I made my position clear. As at present advised I am opposing the principle of the Bill.

MR. K. GEORGE: Sir, I rise to speak a few words in view of the pointed reference which the previous speaker made to the report of the Agricultural Debt Redemption Committee, of which I was the Chairman. The Committee carefully considered the question of financing debt conciliation so that the creditors may be immediately paid off. We were confronted with one fact *viz.*, the urgency of the problem. We were therefore obliged at that time to consider the feasibility of making use of the existing institutions of the State to deal with conciliated debts. We have in our report pointed out the defects in the working of the existing Land Mortgage Bank and more than one member of this House knows what these defects are. The Committee was conscious of these defects. We were at the same time aware of the urgency of the problem. It was therefore that we suggested the existing Land Mortgage Bank should be made more useful. It was far from our minds to ask the Land Mortgage Bank as it existed to do this work. What we wanted was that Government should develop the present Land Mortgage Bank before establishing a share-holders' concern. We only wanted to use the Land Mortgage Bank as there was no other alternative. As it was not possible to establish a share-holders' bank within a measurable distance of time after the work of the Conciliation Bond has begun, we suggested that the work may be done by the Land Mortgage Bank and that steps might be taken by Government as soon as possible for the establishment of a share-holders' bank. I am glad to see that that step has already been taken.

MR. A. THANU PILLAI (*Trivandrum Town*): May I know from the member what are his objections to run the bank as a Government concern?

MR. K. GEORGE: The first and chief objection I would point out is that the Government is not really an agent fit to undertake banking work.

MR. A. THANU PILLAI: Why?

MR. K. GEORGE: Because Government is not——

PRESIDENT: Is there any single Government bank anywhere in the planet today?

MR. PUTHUPALLI S. KRISHNA PILLAI (*Mavelikara* cum *Kunnattur*): What was the recommendation made by this committee about the maximum amount of loan that could be issued by this Bank and what was the opinion of the House on that matter?

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MR. K. GEORGE: We have merely said that the present maximum of Rs. five thousand may be raised.

MR. PUTHUPALLI S. KRISHNA PILLAI: What was the opinion of the House? Did the House say that if the maximum is raised only to a small extent, it will be unacceptable to this House?

MR. K. GEORGE: I do not recollect that, Sir.

MR. A. THANU PILLAI: Sir, nobody can question that there should be an adequate financing agency to deal with agricultural indebtedness and help agriculturists in other ways. In regard to the bank that is now proposed to be started the question is raised whether there is any bank in the world run purely as a Government concern. Sir, whatever may be the arrangements in other parts of the world, I view this question as one relating to the relief of agriculturists. In that view I take it that it is one of the functions of Government, I may even say one of the primary functions of the Government. If it is a business concern purely, with an eye to profit more than anything else, Government need not undertake it. Even in that case I do not go to the full length of saying that the Government need not undertake any business concern. Whatever that be, we have already started a Land Mortgage Bank. Why did Government start the Land Mortgage Bank if it is such a preposterous proposition that Government shall not undertake any business concern?

PRESIDENT: Order, order. I am only mentioning to the hon'ble member the fact that what is called the State Land Mortgage Bank is only an institution for making advances to certain persons. That is all.

MR. A. THANU PILLAI: I understand that. But I do not see why suitable legislation should not be passed if necessary to put the existing Land Mortgage Bank on a statutory basis. That may be a novel thing. But we are doing many novel things. But the novelty of it need not stand in our way. We can very well put it on a statutory basis if necessary. Then the question will be how this existing bank is to be financed. Is it to be with the money of the share-holders who have an eye to profit or is it to be financed with a view to help agriculturists? That is the point to be considered. It has been suggested that money may be raised by the issue of debentures. If the proposed bank can issue debentures Government also can do the same thing to finance the exsting Land Mortgage Bank. I understand that the Mortgage Bank has already issued loans to the extent of about Rs. ten lakhs. This money has to be realised back. What fundamental objection is there in continuing the bank on a statutory basis if necessary? Enlarge its field of operations, issue debentures, raise money and help agriculturists. Where is the objection to that? It is urged that Government should not compete with private banks. If the bank is to be started as is alleged, only with a view to curing existing defects in the financial system of the country, there is no question of competition. The only question is whether Government can run a concern like this efficiently.

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[Mr. A. Thanu Pilla.]

It is very often urged that Government cannot do so. If that is the case Government cannot also do many other things in efficiency. Here there is no question of profit. We want only the charges for running the bank and thereby help the agriculturists. We want honest, efficient and conscientious officers. That can be secured by the recruitment of proper persons. These are times when we hear a good deal of voluntary service by way of social work. At a time like this is it difficult to get men who will conscientiously work with the object of benefiting the agriculturists of their country? I think that there is no point in saying that this cannot be run as a Government concern.

One or two observations I have to make in respect of working of the bank. It has been said that Government cannot work it themselves but that they will associate themselves in the working of it. We have had instances of arrangements like this in the past. I raise this point not with the idea of raising obstructions to the starting or working of an institution intended to benefit agriculturists. I give these instances only to warn Government against repeating the same mistakes as they have committed in the past. Let us now consider the Travancore Sugars Ltd. Government took shares in it; Government had three Directors on the board. It was you, Sir, who as the head of the administration, said in the House at one if its former meetings that board did not even keep proper accounts. In this bank we are to have two official Directors. In a concern where Government had invested large sums, even proper accounts were not kept. What guarantee is there that another board with two or three officers will do things differently. We are going to guarantee the repayment of debentures issued by the Bank. The State services are going to be made guarantee. The improper and careless working of the bank may not be known in a day or two. It may be known only ten or twenty years hence. Moneys may be advanced without assessing properties properly and without taking proper security.

PRESIDENT: How does the honourable member think that if the Government run it as a Government concern, it will be different?

MR. A. THANU PILLAI: Government officers as such managing a Government concern will be more careful in dealing with Government money and will be subject to more Government scrutiny than the contemplated Board.

PRESIDENT: Will the honourable member say what proportion of the industrial loans have been realised by the Department? It is an open secret that practically every loan granted has turned out to be irrecoverable. No doubt, it will be remembered that the loans were given in view of the actual conditions obtaining in the country. Unfortunately the collection of the loans has utterly failed.

MR. A. THANU PILLAI: I should only say that the Government have been very negligent in the matter.

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PRESIDENT: No. The Government officers were very good in certain ways, but not in the conduct of business. They had other things to attend to. As was stated by the Land Revenue Commissioner on another occasion, he had time only to attend to *Jamabandi* and other revenue work. He had also to answer the various interpellations and questions of the Government and so forth. He had no time to spare for banking work. In regard to the collection of industrial loans the Director of Industries will probably address the House presently and tell you what the industrial policy has meant. No doubt the Governmet have given certain amounts by way of industrial loans. Practically nothing has been realised and they have to be written off. Therefore we have to begin on a clean slate and that is the net result so far as the industrial policy of the Government is concerned.

MR. A. THANU PILLAI: Unlike in those cases, it is proposed here to appoint full-time men to work the Credit Bank that is now proposed to be set up. It is not like a head of the department doing revenue work such as *Puduval*, *Poramboke*, *Jamabandi*, etc., and banking work in addition. There is no reason why the work of the Government Land Mortgage Bank should not be done efficiently if full-time competent officers are appointed to do that work. I emphasise this aspect of the matter and urge that the Government should be extra careful in selecting competent and full-time officers for the working of the new Bank, if it is to be started.

MR. K. GEORGE: May I know whether the member expects that all the objections that are now levelled against the Agricultural Loans Regulation and the loans issued by the Land Mortgage Bank will all cease to exist all at once when the new bank begins to function with full-time Government officers?

MR. A. THANU PILLAI: I am really surprised that such an experienced officer like the Land Revenue Commissioner has put this question. So far as human activities and institutions are concerned defects are bound to exist. The differences will be simply of degree and let us bring down the defects to as low a minimum as possible.

MR. M L. JANARDHANA PILLAI: (*Nominated*): May I ask, was not full-time Government officer lent to manage the affairs of the State Aided Bank?

PRESIDENT: I have already stated that the State Aided Bank is a shareholders' Bank wherein the Government had no hand. They have been managing the business in their own way. It will be rather embarrassing to raise the controversy on the floor of the House about the affairs of the State Aided Bank especially when there is no representative here to answer the points. As I have said on more than one occasion the Government have nothing to do with the Bank and they cannot answer on behalf of the Bank.

MR. A. THANU PILLAI: Without referring of the affairs of the State Aided Bank I shall try to answer the question put by Mr. Janardhana Pillai. Similar provisions were made in the agreement between the

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State Aided Bank and Government in regard to the management of that Bank. The Chairman's appointment had to be got approved by the Government. The appointment of the Manager also had to be approved by the Government. There was also one other Government officer to watch the affairs of the Board. Government could at any time audit the accounts of the Bank. More or less similar provisions are found in the Credit Bank Bill also that is now before us. Therefore my apprehension is that the Government have to be more careful in choosing the persons who will be responsible for the management of the Bank. We have to make ample provision for effective Government control. The provision made in the bill may not be adequate for this purpose.

MR. S. KRISHNA AIYAR (*Nominated*): May I ask, is not some sort of training necessary for the sake of business and the Government should appoint such trained officers as full-time officers for managing the Bank?

MR. A. THANU PILLAI: Of course business training is very essential for the management of Banks. If I had the power to select the officers of the Bank I would certainly go in for persons who have acquired sufficient training in banking. Such men are not unavailable. What difficulty there is in getting such men I cannot see. I think the sort of questions put to me here do not lead us anywhere. These are matters for consideration at the Select Committee. There should be, I think, at least one full-time Government officer on the Board. If the officer is a full-time person he will be able to adequately discharge his responsibility to see that the Bank works well.

MR. K. NARAYANAPERUMAL NADAR (*Tovala* cum *Agastisvaram*): May I know from the member whether he has seen the Press Communique in regard to the establishment of the Credit Bank and what his opinion is with regard to the taking over the management of the Divisional Treasuries all over the State by the Imperial Bank of India?

MR. A. THANU PILLAI: I am on a different topic altogether.

As was very pointedly referred to by some members here we should make sufficient provision not only for securing Government interests since the Government are guaranteeing the debentures but the interest of the agriculturists also should be safeguarded. They should not be left at the mercy of the shareholders. It will be quite salutary to fix the maximum dividend that may be declared in the case of a Bank of this kind.

The period for which the loans have to be issued, the way in which they have to be repaid, facilities and concessions that may have to be given in this connection, are also very material points for consideration by the Select Committee. Suppose an agricultural debtor takes a loan agreeing to repay it within 20 years in instalment basis. Suppose one or two instalments were not properly paid by him. The default might have been due to circumstances beyond his control. It sometimes

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happens that water may not be available for two or three seasons consecutively for want of rains. There may arise such difficulties. I suggest that provision should be made to safegaurd the interests of the ryots in such circumstances. It should also be kept in view that the cost of management ofthe Bank should be as low as possible. The chances of the shareholders trying to make undue profit should be excluded. The bank should consider the interests of the agriculturists even more than that of the shareholders. No adequate provision has been made to secure such object in the bill. These are matters to be dealt with by the Select Committee.

It has been stated here that if a loan is taken by an agriculturist at a rate of interest higher than 4 per cent it will do no good to him. According to me even that is too much. No amount of relief in this connection will be advantageous to him unless agriculture as such is improved. Officers like the Director of Agriculture and the Irrigation Engineer, have to exert themselves more than in the past to help the agriculturists. Otherwise repayment could not be had at the proper time. Practically nothing substantial has been done towards improving agriculture. Unless that is done there will be no real relief of the agriculturists.

One word about the proposed handing over of the treasuries to the Imperial Bank. In spite of what the Dewan President said yesterday, in regard to better facilities for the circulation of Travancore currency, personally, I think, Sir, that it is a mistake to hand over the working of the treasuries to the Imperial Bank. From what has been stated here and elsewhere in Press notes and published otherwise, I am not able to see the justification for such a step on the part of Government. How far the circulation of currency resulting from the arrangement will help remains to be seen. If I understood the Dewan President yesterday correctly I thought he stated that the Imperial Bank is not giving much value to our currency.

PRESIDENT: No value at all. I should say that the Imperial Bank do not receive our currency. And, that is not the fault of the Bank. That has come about because of the arrangement with the Imperial Bank of India by the Government of India.

MR. A. THANU PILLAI: I should like to be enlightened on that point by the Law member. If a Bank functions within our territory I want to know how it can refuse to accept our coins.

PRESIDENT: Unfortunately a Proclamation has been issued saying that the Travancore Half-rupee coins are not legal tender.

MR. A. THANU PILLAI: It should be the object of the Government to see that such difficulties do not exist. I am not satisfied with the sort of arrangement that is proposed to be made with the Imperial Bank so far as the management of the treasuries are concerned. The present bill requires great changes and I do not propose to refer to all of them. The Select Committee, I hope, will make the necessary changes.

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In regard to the application of the provisions of the Revenue Recovery Regulation, no doubt it may be expedient for the proper working of the Bank. Government officers alone should be allowed to exercise such powers. If necessary, a full time Government agency may be set up. The creditor should never be given such summary powers for recovering moneys due to him.

A word about the Land Mortgage Bank. I do not know what the Government are going to do with the existing Land Mortgage Bank. Is it to be merged with the Credit Bank or will it continue as a separate concern?

As regards the agricultural and the industrial loans, whatever may be the view of Government in regard to the successful working of them, I for my part doubt whether this business also should be handed over to the new bank. These loans are not long-term ones. The Government machinery should be enough for the collection of the loans. This also is a matter that has to be considered in detail. With these observations I support the principles of the bill because if an opposition succeeds, nothing may be done to extend to the agriculturists that help which they stand in need of.

SRIMATHI T. NARAYANI AMMA (*Nominated*): Sir, I beg to support the principle of the bill. The constitution of a bank of the kind now suggested in the bill is a long-felt need and it is a well-known fact that the position of agriculture and industry in Travancore is not as it ought to be. The main reason for such a position is that there is at present no proper agency to give the necessary financial help to those who are engaged in industry and agriculture by the grant of long term loans. The State Land Mortgage Bank is also useful in its own way. But it does not serve the purpose of granting long-term loans to those who are engaged in agriculture and industry. In the case of the proposed bank its main object is the granting of long-term loans with a view to promote agriculture and industry. In fact without being a replica of the existing banks and other similar institutions the proposed bank is intended to specialise particularly by the grant of long-term loans in the promotion of agricultural credit and in the establishment and the development of cottage and other industries.

Another important purpose which the bank is intended to serve is to help in the conciliation of agricultural debts. A bank with such objects in view is sure to play a very important part in the economic life of Travancore and it fits in with the other measures of reform that are being introduced in the State.

With these words I support the principle of the bill.

MR. E. SUBRAMONIA AIYAR (*Nominated*): Sir, I welcome the Bill and support the principle thereof. The necessity for a specialised institution to make long-term loans to agriculturists and to finance industry is clear; such an institution in the financial structure is in my view overdue. It is suggested by some honorable members of this House that the Government itself may function as such an institution

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instead of creating a share-holders' Bank under the strict supervision and control of the Government. I am unable to fall in with that suggestion. To me it appears that apart from the practicability of the Government assuming such an economic function it is neither expedient nor desirable that the Government should take up one part of the financial structure while the rest of it is left to private enterprise. If the Government can take up the entire financial structure and meet the demands for finance for the up-buidings of the State and its citizens, much may be said in favour of such a step. Soviet Russia is the only country that had attempted this. We cannot think of it here. If so the special institution must be related to the conditions existing here.

Now we want capital. The object of this organisation should therefore be to mass the capital from the surplus fund remaining distributed and scattered in the hands of several persons in the State. What is that effective organisation which can do this? No doubt, the State or the Government can try to get capital by borrowing. The Joint Stock method is an alternative method. It has got its own advantages. No doubt, there are some disadvantages too—the disadvantages of of Government in the form of democratic liberalism. We have tried some methods in the past. We have allowed the individuals to do their own business. If a person wants money, certainly he can go to his neighbour who is a capitalist and borrow money and utilise it for some industrial purposes. We had also long term loans. But there was no institution or organisation with that special function. The modern conditions require a special institution for that purpose. The Government also endeavoured to relieve the indebtedness of the agriculturists by granting agricultural and industrial loans. But these methods have been found to be unsatisfactory. A special institution is necessary for that purpose and so to bring into existence that institution this measure of a share-holders' Bank to be effectively managed by the Government is visualised and placed before the House for its acceptance. There is the Co-operative Banking systen for short term credit. There are also commercial banks which cater to certain needs. What we require is an institution for long term credit. After all we must make the best of the situation. I do not know how a share-holders' Bank fully and effectively managed by Government cannot meet this demand. There are some people in the State who have got the capacity to lend money. They sometimes invest their money in Saving Banks. There must be an effective method of controlling the investment as a whole. I will suggest that there should be a legislation compelling people to invest their money in our Banks. I do not know how many would agree with me in that respect.

MR. A. THANU PILLAI: Does not the member think that if the Government had only closed down their Anchal Savings Bank business, a lot of money would have come in for the debenture?

MR. E. SUBRAMONIA AIYAR: That is exactly what I am suggesting, a method of controlling investment. I will go further and say, if possible, let us control the investment by compulsory legislation. If

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people in the country are compelled to invest their money at say 4 % certainly the surplus income will come to us. The people should be satisfied if they get a steady income for the money they have invested We may have committed some mistakes in the past. It is human nature to learn by experience. I am sure when the demand is great and when the need is felt, people will be more careful and earnest.

Then about the name of the Bank. There is not much in it. It was pointed out by my friend Mr. Thomas that the name of the Bank should be the Land Mortgage and Industrial Bank. Instead of that we are having the Travancore Credit Bank. I do not think there is any point in that argument. This Bank is not intended for advancing money for agricultural purposes only. That alone was the object of the recommendation of the Agricultural Debt Redemption Committee. Here the object is not only to encourage agriculture but industry as well. I find that the name of the Bank is the Travancore Credit Bank. I do not know wherefrom the Law Member got this name. Probably it may be from the enactment of 1928 in England.

When we come to the provisions of the bill I may say that there are one or two points which require the attention of the House. Firs, in respect of the declaration of dividends. In my view the power to declare dividend should not be left entirely to the discretion of the Board. It must be difinitely intimated to the people that when the people advance money, the profit will be proportionate to the risk they take. This Bank is not going to advance money for anything, and everything. It is a long-term loan Bank. Advances will be made only on immovable properties and other satisfactory security. There is very little chance of losing the money unless the Managers are recklessly careless in disbursing them. So even the share-holders do not stand any real risk of losing their money. They should not expect therefore a large dividend from this source. This Regulation must be made a self-contained one as far as possible. The dividend should not exceed 5 %. Such a limit should be placed. Certainly, the object of the measure is to relieve the agriculturists. Therefore the rate of interest on the loan should be a moderate one. Schedule I says —

> "The advancing and lending of money on the first mortgage of immovable property or on the security of machinery or Government securities or other securities approved by Our Government for this purpose or on the floating charge of business goods or stock-in-trade, for the starting, carrying on or the development of any industry".

If floating charge comes in certainly the creditor or the Bank should be safeguarded from dishonest debtors. A debtor may not be dishonest willingly but circumstances may lead him to be so. When we advance money on machinery and stock-in-trade, care must be taken to see by legislation that the debtor does not deal with them to the prejudice of the Bank. He should not be allowed to create another charge over it. It is only a matter of detail.

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Coming to the redemption of debentures, it is a point upon which there may be considerable difference of opinion. Suppose debentures are raised at 3½ % and later on after some time when the Bank is established and its efficiency and stability understood by the people, it is able to get debentures at 2 or 2½ % then it should have the liberty to redeem the earliest debentures with the sum raised by the new floatation. Tere is one clause in the Bill which I must oppose, to use the word of Mr. Nadar, with all the emphasis that I can command, *viz.*, that relating to non-liability of Directors for negligence. In fine therefore I do not see the reason why a share-holders' Bank which was envisaged by the Debt Redemption Committee effectively controlled by Government will not satisfy the needs of the people. After all, the instrument is given in our hands. It is for us to work it efficiently. Most depends upon the human material that works the machinery than on the machinery itself. I do not think that there can be any room for apprehension about the efficient management of this institution by a properly constituted Board.

MR. M. L. JANARDHANAN PILLAI: I have very great pleasure in supporting the principle of the Bill. In doing so, I would request the indulgence of the House to place before them certain salient facts connected with the growth of industrial enterprise in this State.

PRESIDENT: The House will now adjorn and meet again at 2 P. M.

The House adjourned for lunch at 1. P. M. and met again at 2 P. M. with the President in the Chair.

MR. M. L, JANARDHANAN PILLAI: From the statement of objects and reasons it is clearly seen that the intention of the Government is to provide a supplementary agency to fill up the gap created by the absence of credit wherever it exists and thereby promote the economic prosperity of the rural population of the State. From the various speeches made in this House I find that there is one concurrent unanimous opinion running through all the speeches, *viz.*, the need for bringing into existence some institution which is necessary to fulfil the objects stated in the statement of objects and reasons. Now Sir, let us take stock of the situation that existed some time ago. During the period of economic depression and after, the plight of the agriculturists in the country became much worse than what it was before. The Banking enquiry Committee and the Economic Depression Enquiry Committee had stated in their reports in no unmistakable terms that the total indebtendness of the agriculturists in the State is somewhere about 25 crores of rupees and the opininon is unanimous in the country that measures must be found, and that without delay, to save him out of the situation into which he has fallen. During the period of depression the agriculturist was never able to get sufficient price for his produce. The existing commercial banks in the country were unable to save him out of the situation simply because it does not fall within the category of their usual functions. Commodity prices were coming down every day and it must be borne in mind, and that is a

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noteworthy feature, that while the quantity of exportable articles were on the increase the prices realised were steadily coming down. The agriculturist was not able to get any return for his labour and he had no finance to await a favourable market to get his own prices. It clearly shows that today the agriculturist has no means by which he can get out of this dangerous situation into which he has fallen. By the very constitution of commercial banks they are unable to grant produce loans beyond a certain period and beyond a certain percentage, and whatever they give has to be cleared within a stipulated time. If that is not done, the produce is sold even at distress prices. This must convince every one that there must be a separate institution with a separate function to enable the agriculturists to get out of that difficulty. As it is, we have no such institution in the country. The existing institutions are unable to render that service efficiently and effectively for the salvation of the ryots.

Then coming to the rate of interest. Even Exporting firms which have turn-over of several thousands of Rupees almost every week or every fortnight, who hand over their negotiable documents, as soon as shipments are effected, get finance only at the rate of eight percent to ten and a half per cent. This is quite the order of the day. And that interest is paid back or debited once in a quarter. And so, on an average the rate of interest comes to about 10½ per cent even for the biggest turn-over given to the existing cemmercial banks. When that is so, is it possible for the commercial banks or for that matter for any other institution, working in that direction, to help the agriculturist or the industrialist by advancing money at a lower rate of interest? Then how is the agriculturist going to get his finance? His produce must necessarily be seasonal and therefore he cannot sell it as soon as he has harvested. To wait for favourable times he is unable. And even if he waits, by the time his bills will fall due, say, that may be the 30th June or the 31st December, the agriculturist or the industrialist should either dispose of his produces at distress prices to balance his accounts in the Bank or he shall have to become a defaulter. That is the situation which faces today the agriculturist and the industrialist.

That again brings me Sir, to another important point. Travancore has not been having sufficiently large number of industries. And how it is possible to start and function new industries efficiently if they are not backed up with block capital. Block capital is needed for industrial concerns to have structures, engines and other requirements in starting industries. And this cannot be diverted from the liquid capital provided by commercial banks. Where is the institution to finance industries, placed as we are, in this condition? Money can be advanced on the security of lands if you have lands, on the security of machinery if you have machinery and on the security of stock in trade. And the rate of interest is expected to be very low. He will not have the necessity of selling away his goods at distress prices to meet his dues on

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a particular date. In this respect the present Bill is a God-sent to the industrialists and the agriculturists in Travancore. To the agriculturist only long term loans can be of any benefit. Unless he has long term loans he would not be able to develop his purchasing power and if the agriculturist who is the largest unit in this country is not enabled to develop and increase his purchasing power, the purchasing power of the whole country would suffer. I have been repeatedly mentioning in this House as well as outside, that the lot of the agriculturists should be improved if his economic prosperity be ensured, and stability of the society is to be attained. Therefore, this Bill by giving him long term loans enables him to realise sufficient profits because he can sell his produce. Furthermore, that enables different branches of our trade, different branches of our export trade, to be handled much more rapidly and efficiently. Now Sir, I myself had my own fears when I read a few criticisms about this Bill as to whether the Imperial Bank is going to enter into the whole structure and deal with the people of this country in accordance with the provisions of this Bill. It was a long standing complaint which I myself had made in this House from the time of the Old Popular Assembly, when the Travancore Government had deposited in their current account large sums with the Imperial Bank, bearing absolutely no interest, on the ground that they were not financing Indian commercial concerns of Travancore, Necessarily therefore we had to go and seek the help of other Banks even at the risk of their charging a higher rate of interest. But on going through the provisions of this Bill I find that the Imperial Bank has precious little to do except being the Bankers of the Travancore Credit Bank. It has also been carefully mentioned in the Bill that the Directors of the Bank can change their bankers. Therefore in view of the explanations made by the Dewan President I am happy to know that the traditions followed by the Imperial Bank in regard to the financing of Indian concerns and the accounts that I read in the Press that they make discriminations between the Indian and non-Indian concerns in favour of the latter will not be adopted in this case as the Travancore Credit Bank is to be organised, controlled and conducted by a different body under the supervision of our Government at almost every stage of it. And I am particularly happy to know that the Imperial Bank are to be only its Bankers. Which other Bank as far as I am able to know can lend out money at the same low rate of interest as the Imperial Bank? I think the Imperial Bank has got the largest resources compared with any other Bank in India, and I think that it is the wisest step to go to the Bank which can give us the largest amount of liquid capital at cheapest interest. As for that matter I find that even the Congress ministries and Swaraj Government are having their deposits in the Imperial Bank because they have also found out that the Imperial Bank is the only one, the most stable one in the whole of India to be entrusted with their finances. If we want to invest our money we first of all see that the institution which is to be entrusted with our money should be able to return that money in due time without any difficulty. I believe that it is a generally accepted principle

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that the investor is very anxious to see that his money is not lost and there is no chance of losing it when he entrusts it to a Bank. In regard to the development of industries I believe it is time for us to consider something substantial must be done. If we let slip certain opportunities for outsiders to come to our help those chances to better our industrial prosperity may not come to us again. And we must see that there is nothing to prevent outsiders coming here to develop such industries. Therefore it is only in the fitness of things that the best opportunity available is used for bringing the credit machinery of the whole State into existence and making it available for the betterment of the citizen of the country.

One thing more I have to point out. It has been said that as far as possible, the shareholders must be from our own country. I think nobody will object to that statement. But at the same time I may say that it will be a sheer folly to think that outside capital should not come to our country. Very many industrial concerns owned by outsiders have come into existence here; and several of our commercial banks have, by way of deposits and shares, secured a good lot of outside capital. The people of Travancore are already making use of a substantial amount of outside capital. Further, when money market is not so very tight, when the prevailing rate of interest outside, in Bombay and other places, is low, when money can with advantage be diverted to our country, is it not wise on our part to make good use of such finance? I think, 2½ to 3 per cent. interest is the very usual rate outside, whereas it is 8 to 24 per cent. in our State. Therefore, I think it would be wise on our part not to shut out outside capital.

Sir, it was pointed out that the proposed bank should be controlled entirely by the Government. It has also been conceded that no Government can control and conduct satisfactorily any bank or business concern. There is no doubt that effective control by Government is essential. I must say, Sir, that the control provided for in the Bill is not quite satisfactory (*Hear, hear*). In regard to the State Aided Bank, there was the provision that the Directors can appoint a Manager subject to confirmation by Government. Now, in this Bill, provision is made for a new experiment, *viz.*, combining an Agricultural Bank and an Industrial Bank. Debentures are proposed to be issued by the new bank. Government are taking a great deal of interest; they are guaranteeing the capital of the debentures issued. We all know that the very next day after the Government issued a communique in regard to a certain Bank its share value went up and, similarly, it went down the moment the public came to understand that Government support was gradually being withdrawn. Therefore, Sir, Government patronage and support commands the confidence of the share market. For that reason at least, for the first 5 years if not longer, Government must have greater control over this proposed institution than is provided for in the Bill. (*Hear, hear*).

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Sir, in regard to the point that Government ought to have waited a little longer and ought not have introduced this Bill now, I am only sorry for the honourable members who hold that view ; because, the agriculturist has long been suffering for years. I think, Sir, that the Bill has not come a day too soon. The Land Mortgage Bank, owing to some reason or other, has proved its inability to render the desired help to the agriculturist. And, as for the industrialist, there is no institution in Travancore at present to help him. Sir, I am not unaware of the various commercial banks working here. They cannot render any real assistance to industries that need assistance. After all, they are commercial banks, and cannot give long-term loans, especially of large amounts. What industries need is block capital, block investment. None of our commercial Banks can spare the amount needed for this specific purpose.

Sir, there was a time when no investment would be undertaken by Government unless a return of 6 per cent. was assured. Fortunately, those days are gone ; the science of finance and of political economy have undergone changes. The return on investments is calculated not only by the actual return to the Treasury but also by the increase in the wealth and happiness of the people. If an investment increases the prosperity of the country, that by itself is considered an adequate and generous return for the investment. I should think it is that wholesome principle that is responsible for the introduction of the present measure. I quite appreciate the surprise on the part of some at the Government introducing this measure. Sir, the Government are fully aware of the conditions in Travancore. They know that even now the prevailing rate of interest in Travancore is something between $8\frac{1}{2}$ and 24 per cent. while it is only between 3 and $3\frac{1}{2}$ per cent. outside. Naturally the Government of Travancore are anxious to improve the lot of the Travancore agriculturist and industrialist. They are naturally desirous to see that the prevailing rate of interest in Travancore is reduced as much as possible. That is the reason why they have come forward with this measure. I quite see the anxiety in quarters, which are anxious that the rate of interest should not go down. But I am afraid their days are gone.

I hope, Sir, that when this Bill is passed into law it is going to effect a most wonderful transformation in the financial and economical structure of the State. With these words, I support the principles of the Bill.

MR. T. M. VERGHESE (*Pattanamtitta*) : Sir, with respect to the urgent need for devising adequate measures to afford relief to rural indebtedness and for taking steps to give an impetus to indigenous industry, there cannot be two opinions. The measure before the House is no doubt a step in the right direction. Sir, it is a very important piece of legislation and is fraught with very far-reaching consequences. As was pointed out by my friend Mr. M. L. Janardhana Pillai, it is likely to transform the economic condition of the people of Travancore. The importance of this measure justifies my pointing out to this House

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the need for some caution, for some time for circumspection, for some delay. In regard to such an important measure fraught with such serious consequences, it is only proper that the people and their representatives are given sufficient time to examine the various provisions critically and to assure themselves that there is no need for further rectification or modification. It may be said that it is an urgent measure and therefore will not admit of any delay. I, for one, would say that that is not the correct attitude to adopt in a matter of this kind. The people are as anxious about this piece of legislation as the Government evidently are. It is, no doubt, calculated to bring substantial benefit to the people. Our industries are likely to flourish better than at present; rural indebtedness will be substantially reduced. But considering the paramount importance of this enactment, I would again repeat that it is necessary to allow sufficient time to scrutinise in detail the various provisions of the Bill and also the implications involved in its general principles ?

PRESIDENT: Does the honourable member propose to move for any adjournment.

MR. T. M. VERGHESE: I have absolutely no objection to do that. I am only expressing my anxiety in the matter. After all why should it be made to appear that the Government rushed it through when we all want the measure and are even anxious to have it. Only, we want to go into the matter a little more critically and carefully and to offer our suggestions. That would only strengthen the position of the Government; there would probably be absolute unanimity in support of the measure. I do not think there is the possibility of anybody opposing this piece of legislation as such. I may also add that, if it is a question of my vote, I am going to vote in favour of the acceptance of the principle of the Bill even as it is. I only suggest that, considering the importance of the Bill, it is only reasonable and proper that some of the honourable members who entertain serious apprehensions in respect of the nature and scope of the bill are allowed some time to scrutinise the provisions.

PRESIDENT: More than one honourable member have expressed the opinion that a certain amount of delay would be useful. But, no motion for adjournment has so far been made. If any section of the House wants that matter to be decided before further debate on the Bill, it is better to concentrate attention on that question of delaying the measure. Let us dispose it of first. Let the discussion on the Bill be delayed, or let us decide to go ahead with it, so that we can then concentrate on the provisions of the Bill. Therefore, it is better that any honourable member who wants to move an adjournment does it even now.

MR. T. M. VERGHESE: Going through the provisions of the Bill in fact, I must concede that I have not been able to do it satisfactorily—I find that the provisions of the Revenue Recovery Regulation are being made available to certain agencies other than the Government.

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That is a very serious step. It is no doubt not desirable that default should be made in the matter of re-payment of loans taken from Government, whether they be agricultural loans or loans taken from the Land Mortgage Bank. But in dealing with such defaults there are considerations which legitimately and properly weigh with the Government but may not be found acceptable to an agency other than the Government, particularly an agency that is connected with a banking institution. It is no doubt, only an enabling provision that is contained in the bill. But the provision is there. Government by an executive order can empower an officer of the bank to proceed under the Revenue Recovery Regulation and the powers of the Division Peishkar may be vested in such officer. Probably in the working of the bank it may become necessary and desirable that an officer of the bank of sufficient status and with sufficient sense of responsibility is invested with such a power. But whether that is in conformity with the other provisions of the bill and is likely to result in unmixed good to the people or not is a matter which requires closer study and security. In anticipation of the adjournment motion that is to be moved hereafter I may say that this is another reason why I suggest that some more time may be given for a detailed study of this Bill.

Another provision that I find in the bill—it need not be taken that I propose to go into a detailed discussion of the provisions of the bill—is important enough to affect even the principle of the bill. To me it does not appear that the scope of the Bill is rigidly limited to affairs that are outside the legitimate jurisdiction of ordinary commercial Banks. It is doubtful whether for all time to come the Bank or the Government for the Bank will be precluded, under the provisions of the Bill, from going into directions which may be said to be within the jurisdiction primarily of commercial Banks.

There is also a provision in the Bill before the House that the Bank will be lending out money for the purchase of lands. When rural indebtedness is at such a high figure, when the cry is that the indebtedness that has already been incurred by the people in the country ought to be relieved, even an institution like a Bank controlled by the Government ought not to be given the discretion to advance money for the purchase of fresh lands. I do not know whether there is any banking institution that would, among its objects, include this one item, namely, advancing money for purchasing lands. That is a business which any bank worth the name ought not to go into. This Bank is primarily intended to relieve indebtedness. If this provision is going to be put into force it would be indirectly encouraging indebtedness. The Government and this Bank will thereby be taking away by the left hand the benefit that is given by the right hand. These are all matters of detail, it may be said. But the details of the bill and the several provisions of it when taken together, are likely to produce a result just contrary to what was intended. My suggestion is that in discussing the principle of the Bill it is necessary that we discuss it with reference to the concrete provisions thereof though not

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[Mr. T. M. Verghese.]

the provisions themselves in detail. That is also another reason why I suggested that some more time may be given so that we who represent the people may not be subjected to the charge of not having been alive to our responsibility in respect of such a serious measure and so that the charge may not be laid on the Government themselves that they somehow managed to get the Bill through the House which was not aware of all its implications and all the consequences that may flow from it. While expressing my readiness to accept the principle of the bill I would invite the attention of the House to some of the objections pointed out by some of the Honourable Members which go to the root of the bill so as to affect even its principle. In conclusion I would support the principle of the Bill.

MR. S. KRISHNA AIYAR: Sir, there is an absolute consensus of opinion about the necessity for a long term banking institution.

PRESIDENT: Order, order. Mr. John Philipose will move his motion.

MR. E. JOHN PHILIPOSE (*Tiruvellah*): Sir, I wish to move that the further debate on this Bill be adjourned. I move this in view of the fact that this Bill which is fraught with considerable consequences to the State was published in the Government Gazette on the 5th of Makaram, that sufficient time has not elapsed within which public opinion may be crystallised in respect of the various implications that underlie this Bill. I also move it as it is highly essential that a Bill of this kind should certainly come up for discussion after very mature consideration not only by the members of this House but also by the various public men outside who may have to express thir own views through the medium of newspapers or through pamphlets as has been recently done. I am sure that theHouse will agree that it is certainly not a desirable constitutional precedent that a Bill of such vast importance should be hurrid through the House as has been recently done in the Madras Legislative Assembly in respect of the Prohibition Bill which I think did not take more than three days to be passed into law. I am not at present concerned with criticising the merits of the Bill. I certainly feel sure that the House will agree with me that not only the members of this House but also the public in general should be given ample opportunity to study not only the clauses of this Bill but the various implications that underlie this Bill. With these words I move that the further debate on this Bill be adjourned.

MR. K. T. THOMAS: I second it,

MR. M. L. JANARDHANA PILLAI: Sir, I oppose it.

The motion was put to the vote of the House and declared lost.

MR. S. KRISHNA AIYAR: Sir, I started with observing that there is a consensus of opinion about the need in Travancore for a long term bank of this kind. The objections raised centre mainly on the question as to whether it should be a shareholders' bank or whether it should be a Government bank. It was suggested in the first instance

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shares should not be open to the outsider. It was observed by more than one member that the agricultural debt of Travancore is about 20 to 25 crores of rupees, and as per the Agriculturists' Relief Act almost everybody in Travancore is an agriculturist. So, in Travancore we have more indebtedness than capital. Another point raised was that if it was going to be a shareholders' bank the shareholders would be capitalists and capitalists would certainly work towards securing profit and therefore against the agriculturists. It was observed by another honourable member that Government should not take any shares. So, here we have four positions. The Travancorean who is essentially an agriculturist is unable to finance the institution. The capitalist should not be allowed to touch the shares. The foreigner should not have a voice. The Government should not come into the field as a shareholder. Where then is the money to come from to finance an institution of this kind? Obviously there is only one conclusion that no money should be forthcoming and the institution should work on thin air. If such an institution is to function, then money has to be found. The experience of Travancore thus far has been to a very great extent against the Government running commercial institutions. I remember from the days of the Punalur Paper Mill, passing on to the Aerial Ropeway, thence to the Sugars and the Rubbers. There has been some sort of fatality attaching to institutions that have been worked by the Government direct. I suggested in my question to Mr. Thanu Pillai that to conduct a business satisfactorily the management must have business experience, that is practical business experience. It is a sort of specialisation which no Government Officer is likely to have unless he starts early from the lowest rungs of the ladder. There is thus much to be said against the Government running an institution of the kind. The experience of Government too in the business field, has been similar. It has been forcibly brought home to us that almost all the industrial loans in the State have to be written off. Mr. Thariathu Kunjithommen and a number of other members have been making observations about the way in which advances for land improvement are being used. Criticism has been levelled on the existing Land Mortgage Bank as well. Under the circumstances, the conclusion follows that Government cannot be left to carry on the business. Of course, Government control may be essential and Government can control business, but the business has to be run by others. It is therefore probable that the Government thought that they must have the services of an expert like the gentleman whose services have been taken, or proposed to be taken, as a loan from the Imperial Bank.

Coming to the further views of the Government, we find from the Bill itself that the Government propose to nominate two Directors from among the shareholders, two officers of Government, allow the shareholders to elect six from their number, allow the Debenture holders to elect one from among themselves. No doubt such a board will be cumbrous and unworkable. Possibly Government might themselves have realised that.

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PRESIDENT: Government have not committed themselves to that number.

MR. S. KRISHNA AIYAR: I find it in the Bill. Possibly when the Bill emerges from the Select Committee, it would be improved. I would suggest that the number should not be more than five. This five may be made up of one or two persons nominated by Government from the shareholders, two elected by the shareholders themselves, and one elected by the debenture holders.

MR. KAYALAM PARAMESVARAN PILLAI: Does the member say that there should be no official?

MR. S. KRISHNA AIYAR: No official whatever. That is my position.

Of course rules and bye-laws have to be framed or sanctioned by Government. Responsible Government Officers like the Financial Secretary can be asked to sit with the Board and watch not merely for the purpose of giving advice but also to see that bye-laws are expeditiously framed and sent up to Government and orders passed expeditiously. I would again observe that either you have five Directors of the kind suggested by me or in case you want nine or eleven Directors, three of them may be asked to work full time. These three Directors may have to be paid. The one essential in this matter is expedition. There is a complaint, *viz.*, that it takes months and months to get a loan, and a lot of oiling as well. In this case I would suggest that it be made compulsory on the Revenue authorities and Sub-Registrars to give answers to references within two weeks after orders are issued to them. It is perfectly easy to do so. Take the case of Ceylon where land records maintenance is easier. The Notary Public and the Protector manage such things some times in less than two days. I therefore wish to suggest that not more than two weeks should be taken to finish the work here. The Directors must elect one out of their number for investigating title and inspecting and valuing the property.

I next come to some of the defects which I feel have to be corrected. Suppose a loan has been sanctioned. As soon as it is sanctioned, the applicant goes over and executes a document but keeps it unregistered. Under the Travancore law it is the date of execution and not registration that gives priority. As soon as the loan is taken he registers the document in his pocket. Or again supposing a collusive decree is got between the applicant and another individual and an attachment order is taken and kept quiet. The loan is passed, the money is given and then the attachment records are returned to Court by the Amin. That will place the bank in jeopardy. Or suppose again an insolvency petition is presented and the Bank's security assailed. That will land the Bank in difficulties. To avoid these I would suggest one or two essential safeguards. For example as soon as a loan is sanctioned a notification might be published in the Government Gazette. If within fifteen days after the notification is published nobody prefers objections or claims, the security might be deemed

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absolute. Such a provision must form an essential part of the Regulation itself. It is not enough if it is incorporated in the rules. The well-being and satisfactory management of an institution like this does not depend merely on the ability of the Directors or the managing body. It depends upon one other essential that is wanting in Travancore, namely, a business conscience. Travancore has yet to develop a business conscience, business promptitude and business rectitude. That has been my experience during 40 years at the bar. Ordinarily an applicant for a loan or a debtor takes a loan with mental reservations. He never pays back at the appointed time. A suit is filed. It is contested. And an appeal is preferred. Then comes the stage of execution and a series of hurdles over which very few creditors pass and reach the goal. It is therefore that I venture to reiterate that for the successful working of an institution of this kind, one of the essentials is business rectitude and business promptitude. Without these it is not possible for an institution to work properly. It was observed by one of the hon'ble members that summary processes should not be issued for the reason that lands in the State may pass to outsiders. In saying this he has let the cat out of the bag. It appears them that a loan is taken not for the purpose of improving property but for other purposes. And when the money has been wasted and the loan left unliquidated they are afraid that the property may be sold off. On the other hand, if the individual is careful to pay at the appointed time, no such consequences can follow. There is no reason why such an institution should not succeed if worked with a business conscience and with business promptitude.

I shall next refer to the Imperial Bank, because I find that there is some misunderstanding as regards the position of the Imperial Bank and its connection with the Government of Travancore. To the best of my knowledge the Imperial Bank has been the Bank of Travancore for the past forty or fifty years. The Travancore Government makes deposits in the Imperial Bank, both fixed or time deposits and on current account. As far as I know no high class Bank pays interest on current account. The Imperial Bank was paying about 2 per cent. interest to Travancore State on fixed deposits. I understand that recently they refused to pay any interest. All over the world there is now a plethora of money. The Banks are groaning under the weight of money. They cannot find sources for the employment of money. There is just as much money unemployment as human unemployment. It is therefore perfectly reasonable on their part to say that they cannot afford to pay interest to the State. It was desirable that some sort of arrangements must be come to with the Imperial Bank. With that idea perhaps the Imperial Bank was asked to take up some of the treasury work of Travancore. I was discussing this question with an officer of the Imperial Bank recently. I asked him how treasury could pay? The gentleman told me that it was only going to be a loss to the Bank and not a profit. So, the Imperial Bank's connection is only a gain to the State. I may also point out that Government deposits are made not only in the Imperial Bank but also in the

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[Mr. S. Krishna Aiyar.]

Central Bank of India and the Indian Bank. I believe such deposit carry about one and a half or two per cent. interest. The Imperia Bank wanted some sort of *quid pro quo* for paying interest on th monies deposited there. I know as a matter of fact that some State in India do not get any interest at all from the Imperial Bank. I ma instance the case of Jodhpur. Thus by pitting the other Bank Government has managed to get better terms from the Imperial Bank It has been suggested in a pamphlet that the Imperial Bank is going to swallow up the whole State. But I can say that instead of the Im perial Bank swallowing any portion of Travancore, Travancore ha swallowed a goodly portion of the Imperial Bank. Before the Im perial Bank was incorporated as such, it constituted the Madras Bank the Calcutta Bank and the Bombay Bank. More than fifty years ago the Madras Bank started operations at Alleppey. It was permitted t advance money on the mortgage of property. A lot of money wa advanced on the mortgage of no man's lands humorously calle *Kokkirikapadom*, and the Vembanad *padom*. The money could not b re-collected. They had to close business and leave Alleppey. It wa only several years later that the Imperial Bank *i. e.* the then Madra Bank started again at Alleppey. It has to be remembered that Tra vancore has not the capital necessary even for one-tenth of the busine of Travancore. The ordinary Travancorean seems to be insular o parochially-minded. He thinks that Travancore is all in all and that beyond Travancore it is all savagedom and barbarism. Sir, to a very large extent, Travancore trade is even now being financed by outside capital. Travancore has not money enough even to finance a fraction of its trade. Money, from whatever source, must be welcome. Wherever money comes from, whether from outside, and whether it be Government money, it will be of great service to us. We should do well to welcome money from any quarter worked in the right spirit I may here paraphrase what the Law Member said with cheap power, cheap money and long-term credit, and cheap and efficient transport and on efficient research institute, there is no limit to the economic uplift of Travancore.

As an agriculturist interested in all Travancore produce, as a businessman with some experience and as a lawyer of 40 years' standing, I have great pleasure in commending this Bill to the House.

MR. KAYALAM PARAMESVARAN PILLAI: The general principle of the Bill has been accepted almost unanimously. I think I would leave it to the House to the vote upon it.

The question that the principle of the Bill be accepted was put to vote and carried.

SECRETARY: The title of the Bill shall be "The Travancore State Credit Bank Bill."

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MR. KAYALAM PARAMESVARAN PILLAI: I move that the Bill be referred to a Select Committee consisting of the following members :

Mr. S. Chattanatha Karayalar
" S. Krishna Aiyar
" K. C. Karunakaran
" M. L. Janardana Pillai
" T. P. Velayudhan Pillai
" Puthupalli S. Krishna Pillai
" S. Narayana Pillai
" T. M. Verughese
" M. Kesava Panickar
" A. J. John
" K. T. Thomas
" Kannara Gopala Panickar
" E. Subrahmanya Aiyar
" A. Thanu Pillai
" Thariathu Kunjithommen
" N. Ramakrishna Pillai
" N. V. Joseph
" N. Velu Achary
" Joseph Vithayathil
" J. E. A. Pereira
" K. G. Kunjukrishna Pillai
" K. George
Rao Bahadur A. Rengaswami Aiyar and myself (*Convener.*)

The Committee is to report within 5 days.

MR. C. V. CHANDRASEKHARAN (*Director of Public Instruction*): I second it.

The motion was put to vote and carried.

ELECTION TO THE SENATE OF THE TRAVANCORE UNIVERSITY.

PRESIDENT: The voting will be by the non-official members alone, and by the ordinary method. Messrs. Chattanatha Karayalar, Puthupalli S. Krishna Pillai and T. M. Verughese will act as scrutineers. The voting papers were collected and handed over to the scrutineers for scrutiny outside the Assembly Hall.

ADJOURNMENT MOTION.

RE: DISTRESS CAUSED BY THE UNPRECEDENTED DROUGHT IN SOUTH TRAVANCORE.

PRESIDENT: There are 4 notices of motions on the matter. Mr. Narayanaperumal Nadar always has very definite points. (*Laughter*). I shall therefore call upon him to move his motion.

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